Hartmarx Corporation
1983 Annual Report

HARTMARX

Our goal is
to be a Premier company.
Premiership means
exceptional performance
in serving all the groups
to whom we are responsible:
consumers, employees, retailers,
shareholders and society.

For almost a century, first as Hart Schaffner & Marx and now as Hartmarx, a commitment to excellence has governed our dealings with employees, consumers, shareholders, independent retailers, and the public. Our name is our covenant of quality with everyone who associates with Hartmarx.

Hartmarx reaffirms the principles that we stand for, sets high standards for all to understand, and intends to retain the leadership we have earned. Hartmarx has accepted this obligation through a program that will guide us into our second hundred years as a company.

At Hartmarx, we call this program "Premiership." Quite simply, Premiership means that Hartmarx intends to be a Premier company—foremost in every measure. Premiership means exceeding even our own high standards to become, without equal and without exception, the very best.

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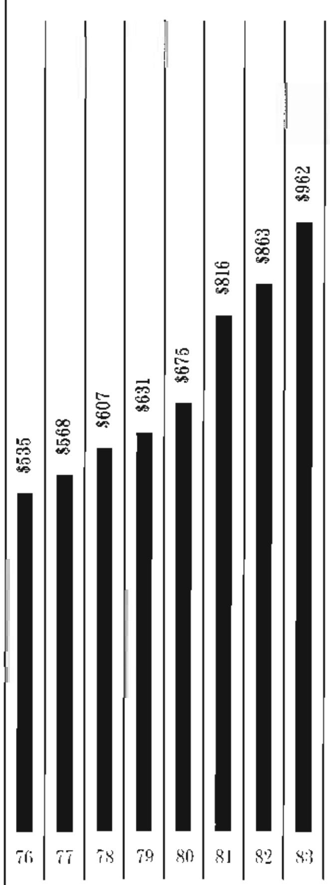
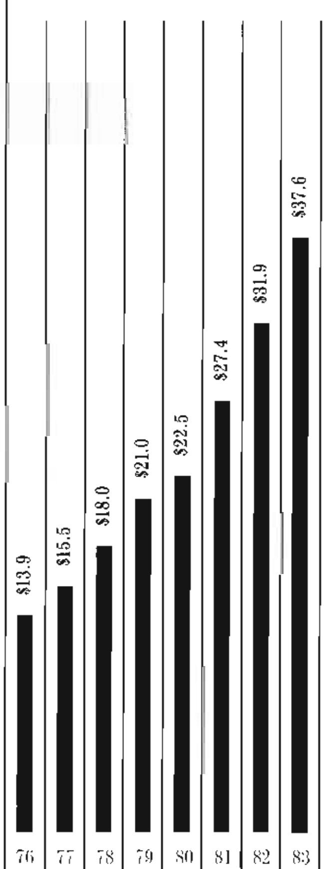
FINANCIAL HIGHLIGHTS

Years Ended November 30	1983	1982	Increase
Operating Results			
Net sales	$961,846,000	$863,231,000	+ 11%
Net earnings	37,615,000	31,870,000	+ 18%
Shareholder Financial Data			
Earnings per share	$ 3.05	$ 2.51	+ 22%
Cash dividends per common share	.91	.81	+ 12%
Equity per share	22.20	20.19	+ 10%
Average number of common shares and common share equivalents	12,323,000	12,681,000	
Number of shareholders	9,400	9,300	



NET SALES
in millions of dollars



NET EARNINGS
in millions of dollars

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Hartmarx is America's leading diversified manufacturer and retailer of men's and women's apparel. Its primary business is to provide quality, value, fashion and service in its manufactured products and in its own 400 retail stores from coast to coast. It employs 25,000 people. The company is organized into five separate business segments:

Men's Apparel Manufacturing

Hart Schaffner & Marx, Hickey-Freeman, M. Wile, Jaymar-Ruby, Gleneagles and Hartmarx Uniform/Career Apparel Group. These companies manufacture suits, sport coats, slacks, outercoats, rainwear, sportswear, career apparel for men and women, and military uniforms under a variety of brands, designer and personality labels.

Women's Apparel Manufacturing

Country Miss is a manufacturer of women's moderate to better quality sportswear, dresses and suits. It also operates 47 outlet stores.

Specialty Retailing

Hartmarx Specialty Stores, Inc. operates nationally 258 high-quality apparel specialty stores for men and women.

Low-Markup Retailing

Kuppenheimer is a low-markup, popular-priced, "direct factory to consumer" manufacturer of men's suits, sport coats, and slacks. It operates 90 factory stores.

International

Hartmarx has a 49 percent interest in Roberts, a quality Mexico City manufacturer of men's clothing with 24 stores throughout Mexico. The company also licenses its apparel brands and retail names in 12 foreign countries.

“Premiership means producing exceptional growth in sales, earnings, and dividends.”

John R. Meinert
Vice Chairman

Jerome S. Gore
Chairman and Chief Executive Officer

Richard P. Hamilton
President and Chief Operating Officer

To Our Shareholders:

For 1983, Hartmarx Corporation recorded its eighth consecutive year of higher sales and earnings and its sixth record year. At the end of the first fiscal year under our new name, Hartmarx is operating at an annualized $1 billion in sales, a goal achieved by enhancing positions in established markets, expanding into new manufacturing and retail areas, realigning retail operations, acquiring new companies and brands, and improving productivity in manufacturing and retailing.

On January 18, 1984, the board of directors increased your quarterly common stock dividend by 19 percent from 23.5 cents to 28 cents, the eighth increase in eight years. Higher dividends reflect Hartmarx's profitability and prospects for growth.

Specific financial results for 1983 include:

• Sales of $961,846,000, 11.4 percent above 1982 sales of $863,231,000.

• Net earnings of $37,615,000, a 25 percent increase over 1982 earnings of $30,105,000 excluding a 1982 gain of $1,765,000 on the sale of real estate.

• Earnings per share of $3.05, 28 percent higher than 1982's $2.38, excluding 13 cents per share from the real estate sale.

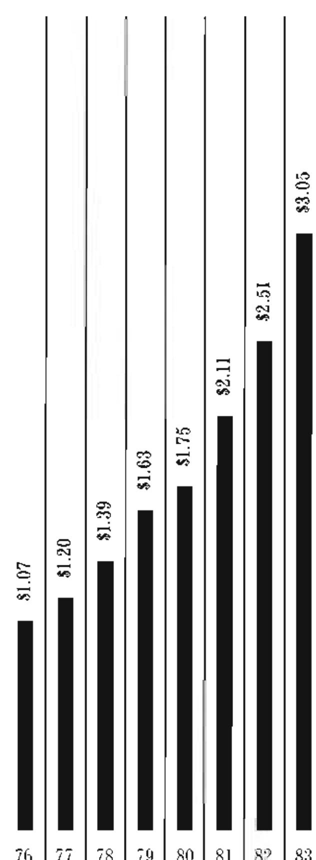
• Return on stockholders' equity increased to 14.7 percent from 13 percent in 1982.

Your company has ended another year of noteworthy performance as a leading manufacturer-retailer of apparel, committed to quality, service, fashion and value at all price points. Our leadership is demonstrated by the profitability of our five operating segments.

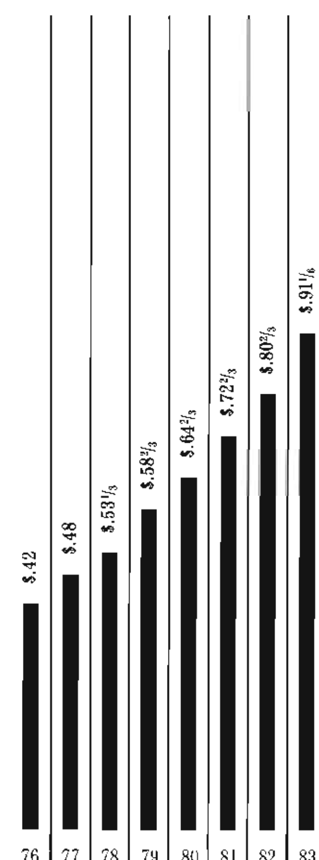
Men's Apparel Manufacturing

The Hartmarx Men's Apparel Group manufactures apparel featuring the most prestigious labels available to the American consumer. The group comprising six manufacturing divisions, has posted six consecutive years of record sales and earnings. In 1983 sales exceeded $440 million including about $75 million shipped to our Hartmarx specialty stores.

Our Hart Schaffner & Marx Clothes Division, capitalizing upon extensive marketing research for the best-selling Hart Schaffner & Marx brand, inaugurated a national ad campaign, "The Right Suit," and for 1984 is doubling



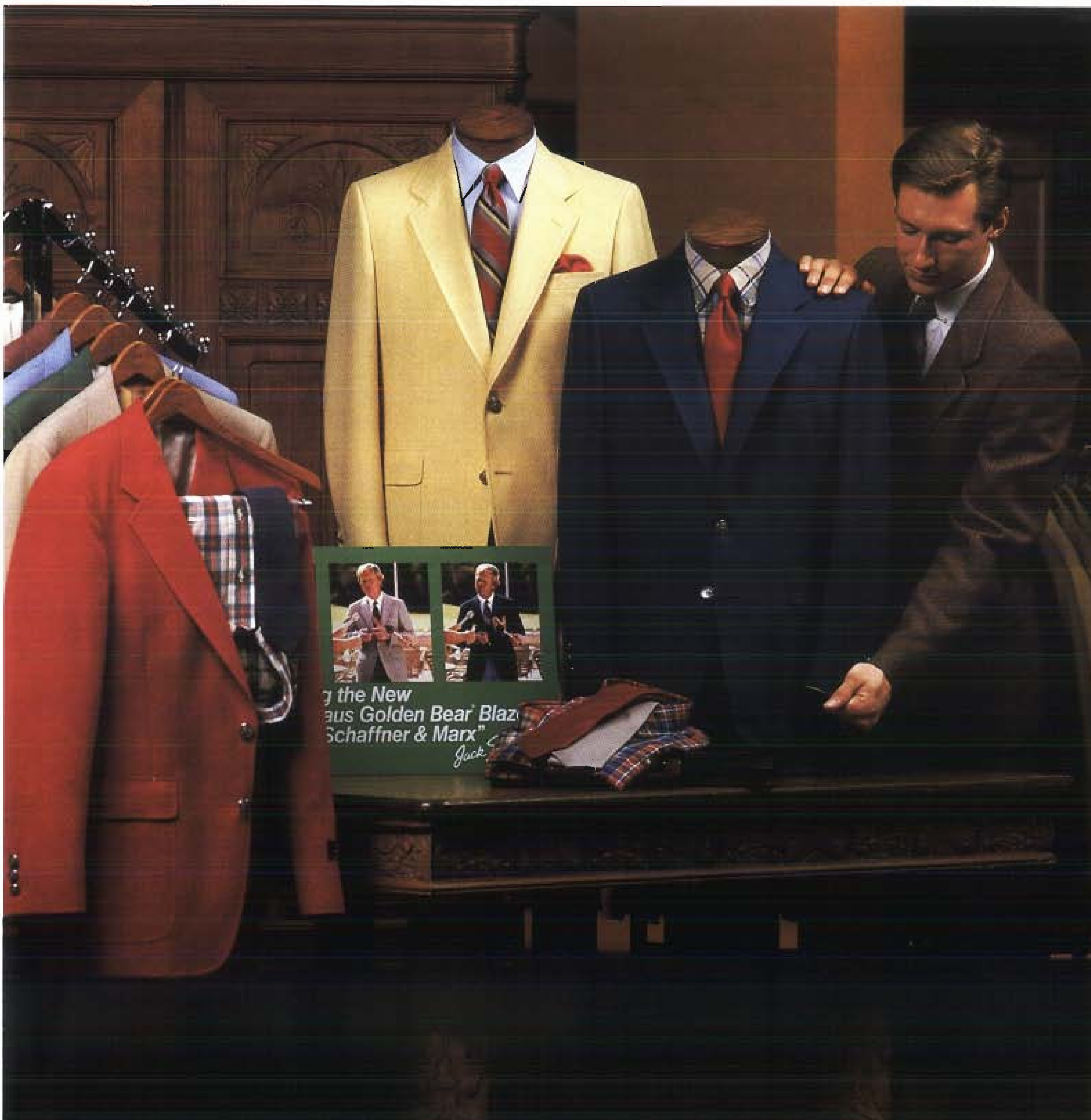
EARNINGS PER SHARE



DIVIDENDS PER SHARE

"Premier companies are marketing-driven—committed to quality, dedicated to value, innovative in product, devoted to service, and unwavering in attention to consumers."

A new Sansabelt Shop



Hartmarx display staff member Randy Yaw, prepares new Jack Nicklaus blazer presentation

advertising expenditures to increase the market for this important brand.

The division has shown exceptional success in marketing its other brands, two of which, Austin Reed of Regent Street and Christian Dior, contributed $65 million to 1983 sales.

The new Jack Nicklaus Golden Bear Blazer from Hart Schaffner & Marx, developed to sell for under $200 is a tremendous success.

Another promising addition to the division's products is the creation of Walter Holmes/Society Brand, a collection of elegantly tailored suits, sport coats, outercoats, and slacks.

The Hickey-Freeman division, maker of Hickey-Freeman and Chester Barrie men's suits and other high-quality tailored clothing, boldly revamped its image during 1983 to emphasize contemporary styling for upscale buyers. Backed by heavy advertising, production improvements, and reorganized management, the division has earned broader recognition in prestige markets by introducing Loro Piana for men, noted for fashion and luxury fabrics internationally.

Added for 1984, Jaeger tailored clothing for men will give the Hickey-Freeman division additional significance in classic fashion markets. Jaeger is priced to fill the market need between Hart Schaffner & Marx and Hickey-Freeman.

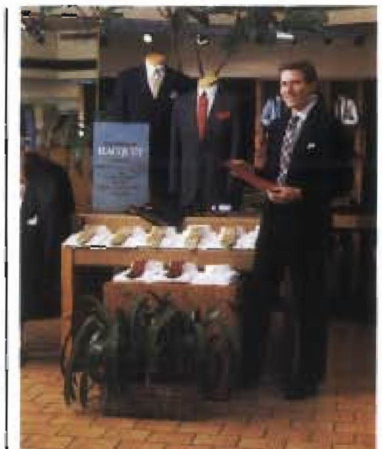
We are repositioning the M. Wile division to establish a greater presence in branded products. Featuring names of renowned designers such as Nino Cerruti, Pierre Cardin, and Allyn St. George, its clothing gives retailers handsome, moderately priced garments to offer to style-minded, value-conscious men.

M. Wile is marketing Johnny Carson suits and sport coats to Sears, which will feature the line in its catalogue and 100 stores beginning this spring. The Johnny Carson line is also available through select independent retailers, further diversifying channels of distribution.

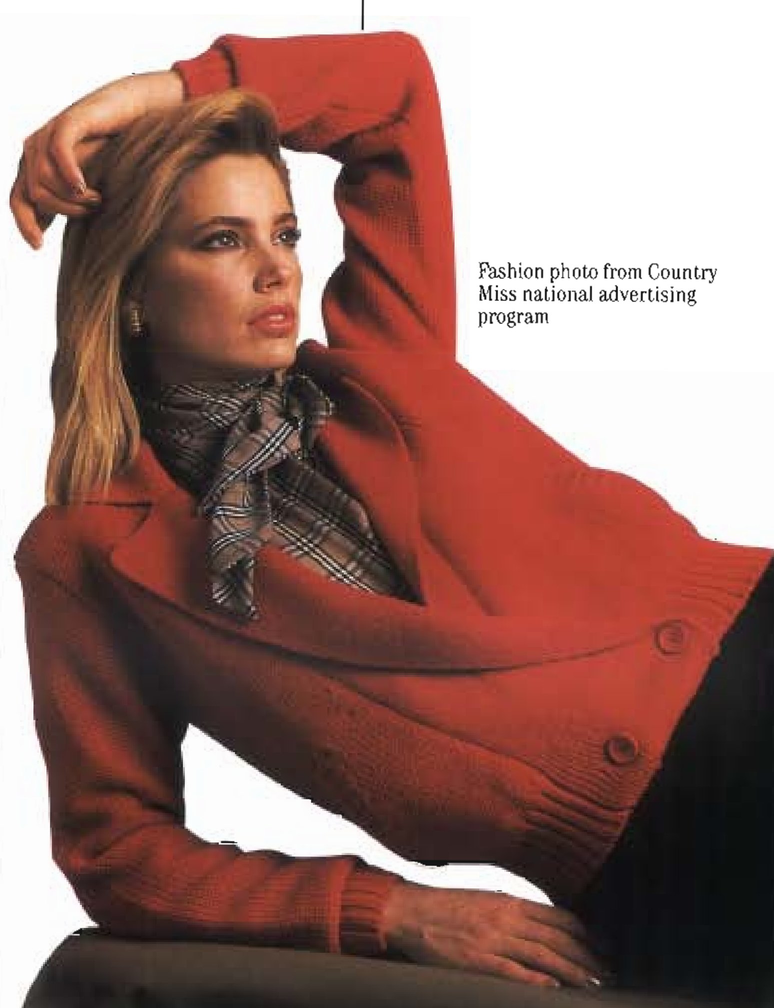
In fall 1983, Wile introduced Racquet contemporary natural shoulder suits and sport coats for younger men, which will generate about $10 million in sales its first year. Racquet Sportswear will be launched as a new product category this fall by Gleneagles, and licensing of other Racquet product categories is planned.

Gleneagles is continuing to expand beyond rainwear, now offering men's outerwear, casual slacks, and

Ad from Hart Schaffner & Marx "The Right Suit" campaign for 1984



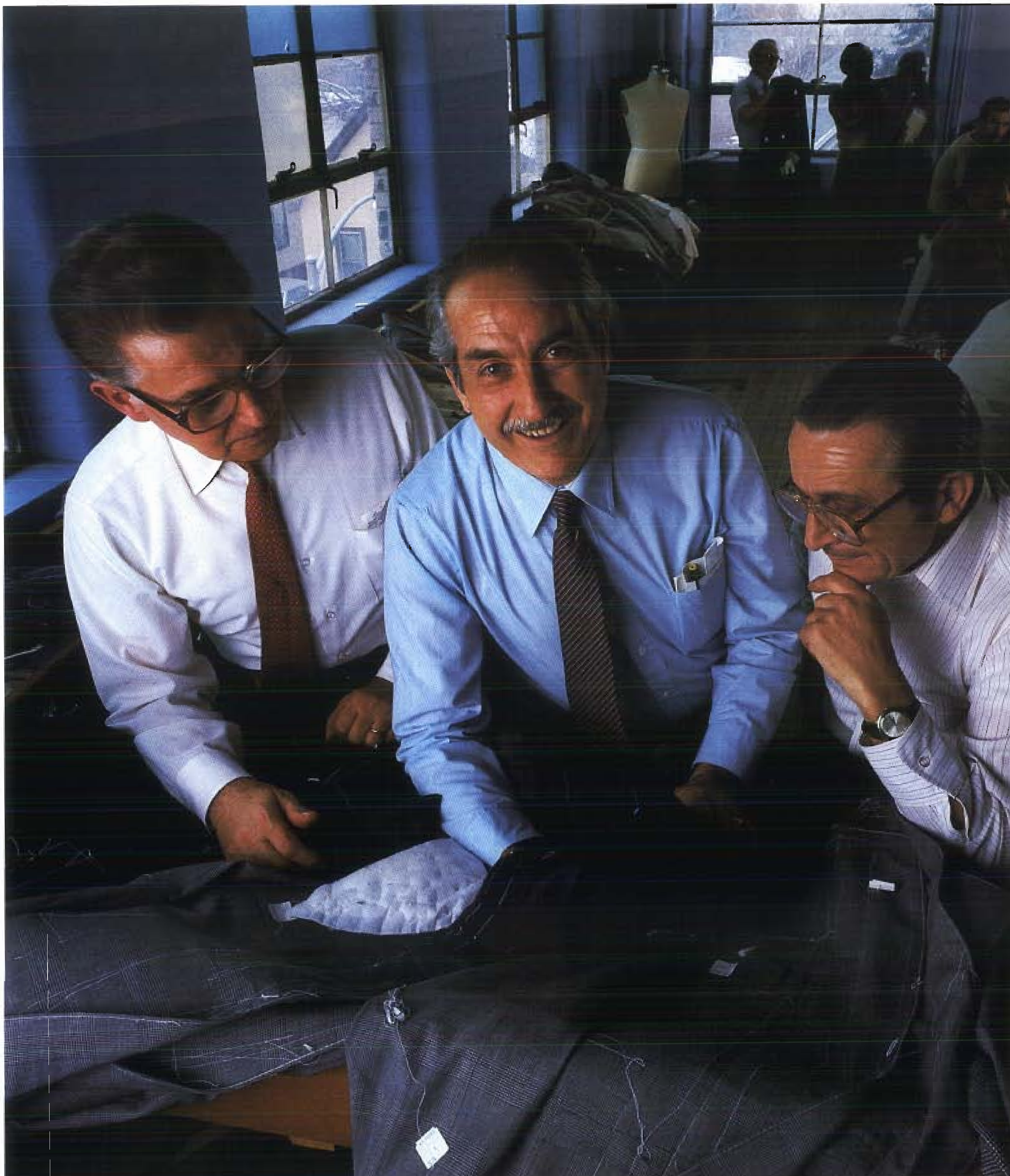
Part of the successful 1983 Racquet clothing introduction



Fashion photo from Country Miss national advertising program

"Premiership means treating employees with respect and dignity, compensating them fairly, encouraging their development, and observing the highest standards in equal opportunity."

Torquato Leone, Quality Foreman;
Mario Mancini, Director of Quality Control
Mario Carosella, Section Quality Foreman



Tennis pro John Lloyd, spokesman for our new Racquet Sportswear

New York Press preview of the new Jaeger clothing collection

sportswear under the Christian Dior label through major department and specialty stores.

Record sales and effective inventory management contributed to the excellent results at Jaymar-Ruby, the nation's largest maker of quality slacks. In addition to the Jaymar and Sansabelt names, the company has expanded its marketing of Pierre Cardin designer slacks.

Jaymar further developed Jaymar Sport and Sansabelt Sport sportswear, appealing to Jaymar and Sansabelt customers. Significant acceptance of Sansabelt suits was gained in 1983. Sansabelt Shops, now numbering five, offer exceptional selections of men's slacks. Sansabelt Shops can provide excellent expansion and franchise possibilities.

In late 1983, Fashionaire and Thorngate, two prominent names in serving the apparel needs of airlines, fast food businesses, and military academies, were combined into the Hartmarx Uniform and Career Apparel Group. Enjoying more than $20 million in 1983 sales and their most profitable year ever, Fashionaire and Thorngate are well-positioned in their growing markets.

While concentrating on marketing its strong brands, the Men's Apparel Group also achieved numerous technology improvements in 1983. Hartmarx's plants have improved production and quality without proportionate increases in labor and overhead by utilizing many technological advances such as computerized pattern making and grading, automated cutting and sewing, and upgrading warehousing and shipping systems. Accordingly, our prices have been rising less than inflation, giving us many cost and product advantages in the market.

Women's Apparel Manufacturing

Building upon our 1981 acquisition of Country Miss, Hartmarx expanded in women's markets during 1983 as our second major operating segment, Women's Apparel Manufacturing, posted record sales and earnings results.

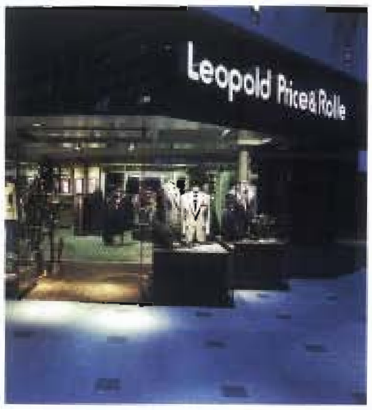
Country Miss, a manufacturer and retailer of women's moderate to better sportswear, dresses, and suits, exceeded $80 million in 1983 sales with one of the top returns on investment in the women's apparel

Leading department and specialty stores feature women's apparel by Country Miss

"Premiership means Hartmarx will know our customers, anticipate their wants, and serve their needs better than our competitors."

Hartmarx Retail Store Manager, Nancy Andretitch

A recently opened Kuppenheimer factory outlet store



Dramatic exterior of our new Leopold Price & Rolle specialty store in Houston

industry. Since we acquired Country Miss, its sales have doubled, and its no-frills outlet stores have increased from 19 to 47.

Our Men's Apparel Group also manufactures several lines of women's apparel.

After extensive rèsearch and test marketing, Hart Schaffner & Marx Clothes Division launched Austin Reed for Women, developing a new organization to market this line of tailored apparel for professional women. Chester Barrie, fine clothing for discriminating women, manufactured by Hickey-Freeman, continues to grow in sales.

Specialty Retailing

Hartmarx's third major operating segment, Specialty Retailing, registered higher sales and earnings for 1983. Purchasing more than $75 million yearly from our men's manufacturing operations, these stores are a superb showcase for our products and a significant source of revenue. Interaction of manufacturing and retailing is an important advantage for your company.

During 1983, Hartmarx Specialty Stores, Inc. was formed to operate our 258 men's and women's specialty apparel stores, emphasizing our leadership position in full-service, high-quality apparel retailing.

These operations feature the finest names in specialty retailing, including Tripler's in New York City, Roots in New Jersey, broad-based retailers like Wallach's in New York and New England, Baskin in Illinois, Jas. K. Wilson in Dallas, and women's stores like Chas. A. Stevens in Chicago and deJong's in Evansville, Indiana.

A three-year restructuring and modernizing of our specialty store operations is almost complete. We closed 46 stores and reduced store groups from 44 to 23, gaining economies of scale. In the past two years, we have opened 14 stores, including six purchased. During 1983 we also spent $5 million to renovate specialty stores, and 1984 plans call for additional remodeling.

We have accelerated retail management information systems to move from local autonomy toward centralized linkage of regional and national data systems. Improved computerized retail inventory control systems will enable better matching of inventories with customer

Striking atrium design of Des Plaines, Illinois, plant

Hartmarx employee, Louis Alvarez checks fabric going into sophisticated new fabric finishing equipment

"Premiership means being more cost-effective than competitors by investing in retail systems and manufacturing technologies that improve quality and reduce cost."

Every inch of fabric in a Hartmarx garment must pass strict scrutiny

Women's apparel in the new Country Miss distribution center ready for shipment to retailers

purchases, while an automated cash transfer and central payables system is making more effective use of cash balances.

We are upgrading the profile of our store managers by initiating separate income statements by location and by implementing targeted compensation and incentive programs.

Hartmarx is accompanying these enhancements and efficiencies with a refocusing of our specialty store image as *the* store for business people in each market area. Our specialty stores will feature top quality selections of tailored clothing, as well as dress furnishings, accessories and sportswear that cater to quality-conscious men and women.

In 1984 our retail stores will re-affirm their commitment to superior personal service with a multi-million dollar "We Will/We Promise" television campaign featuring television personality Peter Graves as a spokesman.

Low-Markup Retailing

Similar growth, success, and profitability are evident in our fourth major operating segment, Low-Markup Retailing, represented by Kuppenheimer, a factory-direct retailer that manufactures popularly-priced men's suits, sport coats, and slacks, sold in its own factory stores.

Integration of manufacturing and retailing gives Kuppenheimer a unique advantage in today's retailing environment. Unlike discounters, dependent upon purchasing overstocked or previous season goods, Kuppenheimer provides a ready stock of its own current, in-season fashions at low everyday prices. Kuppenheimer learns what customers want, manufactures timely goods, and retails them with complete emphasis on the value consumer.

Kuppenheimer, acquired in December 1982, increased sales to almost $80 million from $57 million, and the number of stores has grown to 90 from 41. We expect to open 50 additional stores in 1984. Complementing, rather than competing with our specialty retailing operations, factory stores are directed towards new

Business suit from one of the modestly priced Hartmarx clothing collections

The congenial ambience of a new Hartmarx specialty store

The Hartmarx Uniform/Career Apparel Group caters to the special apparel needs of leading airlines, fast food companies and military academies

Hartmarx senior computer operator Anita Pride

"Premiership means providing wholesale and retail customers accurate and timely deliveries of quality apparel, responding to their inquiries, and sharing our professionalism to make our success their success."

consumer markets at price points well below those of other Hartmarx products.

International

Hartmarx's fifth business segment, International, extends our manufacturing technology and retail expertise to 12 foreign countries through licensing. Also, Hartmarx owns a 49 percent interest in Robert's, a quality men's wear manufacturer and retailer in Mexico, and a 14 percent voting interest in Austin Reed Group PLC, the prestigious London-based manufacturer-retailer of apparel for men and women.

The 12 manufacturing and retail trademarks that we license through 28 programs in 12 countries include Hickey-Freeman, Society Brand, Jaymar-Sansabelt, Johnny Carson, and Trumpeter. Our retail trademarks, such as Baskin, Hastings, Field Bros., and Silverwoods, are establishing excellent reputations as licensors in international markets. Earnings from licensing were over $2.5 million in 1983.

Strategic and Financial Objectives

Corporate-wide, Hartmarx has developed a strategy for growth and profitability to enhance its performance. Hartmarx is committed to:

...exceed 15% return on equity.

...achieve real sales growth of at least 5% annually.

...become the lowest-cost producer of quality apparel at each price point where we compete.

...pursue new retailing approaches, with special attention to Kuppenheimer, Country Miss, and Sansabelt Shops.

...emphasize development of women's apparel manufacturing and retailing operations.

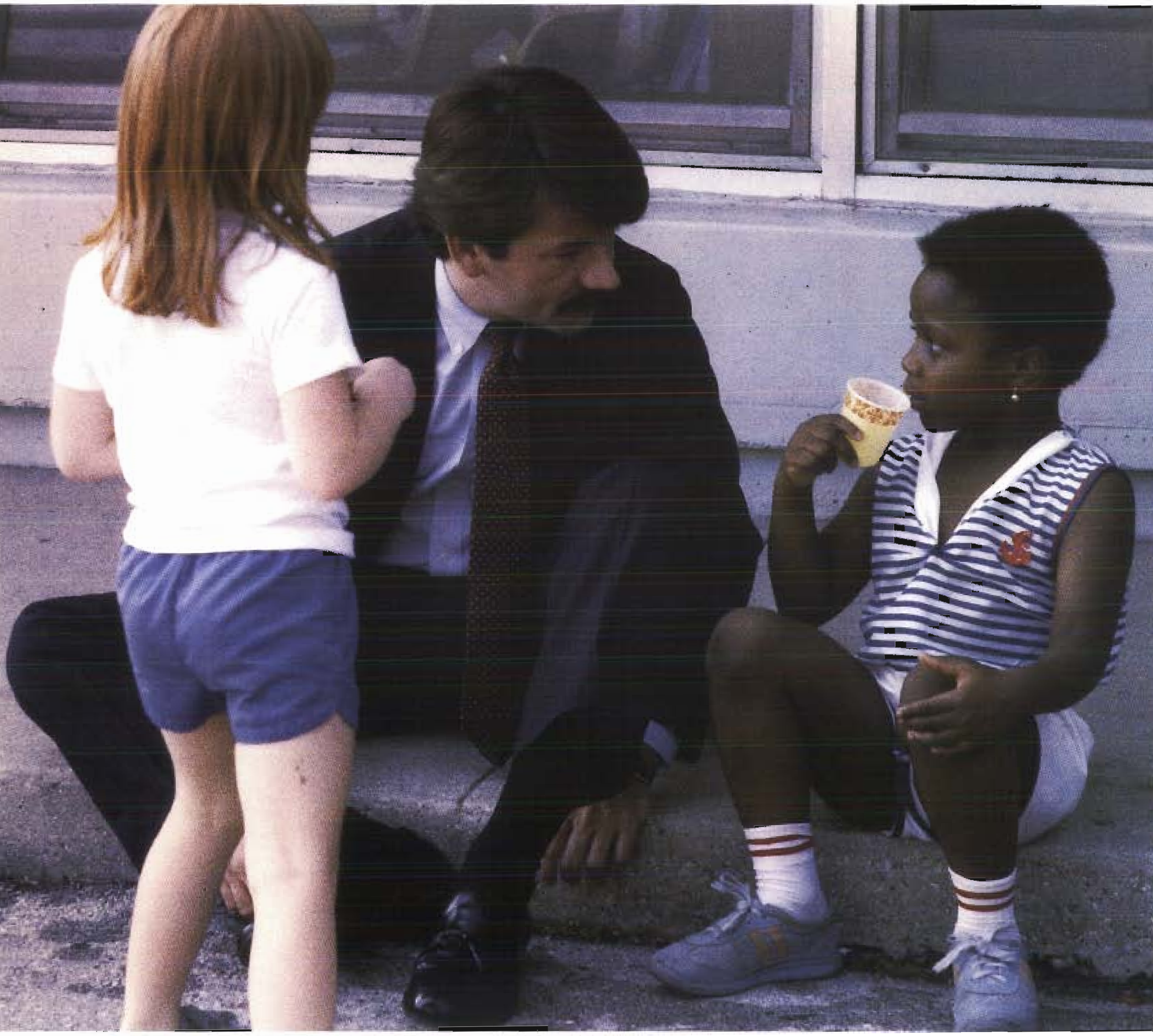
...improve tailored clothing market share by expanding sales of our manufactured brands and developing new lines.

...acquire apparel manufacturing and retailing companies compatible with internal growth.

...maintain and improve management resources.

Women's department in new Liemandt's men's specialty store, in Minneapolis' City Center Mall

Men's and women's suits from the new Austin Reed of Regent Street spring collection



Hartmarx store manager Paul Mandich with children
at Chicago's Uptown Lutheran Day Care Center

"Premiership means that Hartmarx will honor social responsibilities as earnestly as we uphold our business obligations."

Outlook

Hartmarx has one of the most favorable trends in population, demographics, and markets facing any American business.

A large annual growth in numbers of professional women throughout the eighties will spur demand for apparel appropriate to their professional standing. Women who insist upon quality that befits their status will find it in our new Austin Reed and Chester Barrie lines for women, in our Country Miss women's apparel and in our specialty retail network that caters to their specific needs.

In addition, younger men have realized the importance of fashion in their personal and professional lives and seek apparel that accommodates their contemporary lifestyle and upwardly mobile direction. Hartmarx meets them on their own terms through Racquet clothing and sportswear, intermediate-priced Nino Cerruti, Pierre Cardin and Christian Dior Monsieur suits and sport coats.

Hartmarx knows that 80 percent of all suits sold in the United States retail for $200 or less. Kuppenheimer gives shoppers quality at budget-pleasing prices.

Finally, we'll benefit from larger numbers of traditional Hartmarx customers; the number of men aged 35 to 54 will grow 28 percent in this decade, seven times the growth of the seventies. For nearly a century, men in their peak earning years have worn Hart Schaffner & Marx and Hickey-Freeman suits as a testament of their achievement. These brands will provide the standard of taste and quality for their growing numbers—and for growing numbers of young men and women behind them who are discovering Hartmarx excellence in our other fine lines of apparel.

Hartmarx is the standard of quality against which consumers who know excellence compare all other garments. We have manufacturing capability to produce the finest goods in each price category, we have our own stores and we serve thousands of customers which comprise the nation's finest independent specialty and department stores.

As we continue to advance toward greater profitability, Hartmarx is committed to being a Premier company. Premiership, our program for progress, is the theme of this report and signifies what we will accomplish. Premiership means exceptional performance in meeting obligations to consumers, retail customers, employees, shareholders, and society.

Hartmarx store president at a children's center

Planning the 1983 United Way campaign

Already a leader in the apparel industry, Hartmarx will be a Premier corporate institution—known for its intelligence, competence, humanity, leadership, and profitability. Premiership is our pledge to excellence and our promise to everyone associated with us. It is the way we will show our respect and appreciation for our employees' contributions and our customers' loyalty. Above all, Premiership is how we will meet the obligations we owe to you, our shareholders.

Your company ended 1983 with the best quarter in its history, and we expect a record first quarter ending February 29. Fourth-quarter earnings increased 40.3 percent to $13,205,000 or $1.07 per share from $9,410,000 or 76 cents per share in 1982, while sales were up 15.1 percent to $262,449,000 from $227,996,000. December, the most important retailing month, started our new fiscal 1984 year with sales increases of 12 percent in our specialty apparel stores, 44 percent in the Country Miss outlet stores and 70 percent in the Kuppenheimer factory stores. The substantial increases for Country Miss and Kuppenheimer are largely due to more locations; but the increase for our specialty stores is comparable, and we expect sales for the rest of the year to continue strong. The upturn in consumer spending is benefiting our retail operations and also creating increased demand for the goods we manufacture. Unit orders from independent retailers for both spring and fall 1984 are up about 7 to 10 percent for our men's and women's manufacturing divisions. We expect 1984 to be another very good year for Hartmarx in both sales and earnings, with a planned sales increase in excess of 10 percent to well over $1 billion.

Management Changes

A number of important management changes have taken place in the corporation. Ken Hoffman, formerly president and chief executive officer of M. Wile, has become president and chief executive officer of the Hart Schaffner & Marx Clothes Division, following William H. Mier, who has retired. Homi Patel has been made president and chief executive officer of M. Wile, and Arthur Gunzberg remains chairman. Gasper Tirone has been named president and chief operating officer of Hickey-Freeman; Walter B. D. Hickey, Jr. is now chairman and chief executive officer. Robert C. Rich is the new executive vice president of the Hartmarx Uniform and Career Apparel Group.

Arthur Gunzberg, chairman of M. Wile, is retiring as a director of Hartmarx Corporation at the annual meeting on April 11. He has been a director since 1969, following the acquisition of M. Wile. During these years, he has made an important contribution to your company. His experience and advice have been valuable, and we have also enjoyed our long and warm friendship with him.

David R. McMahon was appointed executive vice president of Hartmarx Specialty Stores Eastern Group, Charles E. Haupt was made executive vice president of the Western Group and Stephen C. McGue assumed duties as senior vice president of operations and administration.

In closing this year's report, I also want to inform you that in December, I will be 65 and retiring after nine years as chief executive officer. I am pleased to be leaving your company in the capable hands of Richard P. Hamilton, who will succeed me as chairman and chief executive officer and also retain his title of president. His leadership along with that of John R. Meinert, our very able vice chairman, will have the full support of a strong, seasoned and professional management group at Hartmarx. I am confident that this well-planned succession will assure the continued growth and prosperity of the company. Finally, I wish to express my appreciation to you for your support and my thanks to the 25,000 Hartmarx employees throughout the country who have contributed so much to our success.

February 6, 1984

Jerome S. Gore

Jerome S. Gore
Chairman and Chief Executive Officer

Hartmarx Retail Stores
Density by State

Hartmarx operates 400 Men's and Women's apparel stores in the United States. They appeal to many different demographic and life-style population segments.

Hartmarx Specialty Stores	258
Kuppenheimer Factory Outlet Stores	90
Country Miss Women's Apparel Stores	47
Sansabelt Shops	5

Number of Stores by State
Blue = more than 25
Brown = 11 to 24
Orange = 7 to 10
Green = 4 to 6
Yellow = 1 to 3

Men's Suits, by Retail Price and Style (The chart below highlights the main focus of each brand)

Retail Price	Contemporary	Designer/Personality	Traditional	Forward Fashion
$500+	Hickey-Freeman—Walter Morton			Chester Barrie
$400-$500	Jaeger	Christian Dior Grand Luxe		Walter Holmes—Society Brand
$300-$400	Hart Schaffner & Marx		Graham & Gunn	
$250-$300		Christian Dior Monsieur Pierre Cardin	Austin Reed of Regent Street	
$200-$275		Nino Cerruti	Racquet	
$150-$200	Jaymar Allyn St. George	Johnny Carson		
$100-$150	Kuppenheimer			

Management's Discussion and Analysis of Financial Condition and Results of Operations

The company's manufacturing and retailing segments both contributed to the 1983 sales and earnings improvement, which represented the sixth consecutive record year and eighth year of higher sales and earnings. Net earnings were $37.6 million or 25% higher and earnings per share increased 28% after excluding from 1982 earnings the $1.765 million real estate gain on the sale of our former headquarters. Average shares outstanding were lower than the prior year due to the purchase, during 1982, of 1.13 million equivalent Hartmarx shares from a third party. Kuppenheimer Manufacturing Co., Inc. was acquired on December 1, 1982 and contributed almost $80 million to 1983 sales and approximately one-half of the profit improvement, excluding the previous year's real estate gain. Consolidated sales increased 11.4% to $961.8 million compared to a 5.8% increase in 1982.

Manufacturing shipments to unaffiliated retailers increased $16.6 million or 4%, to $423.8 million in 1983 from $407.2 million in 1982, as compared to a 9% increase in 1982 versus 1981. The impact of a recovering economy this year was felt only in the latter part of our fiscal year; the 1982 increase over 1981 reflected a full year of Country Miss sales (acquired in January 1981) versus eleven months in 1981. During 1983, our major manufacturing brands such as Hart Schaffner & Marx, Austin Reed of Regent Street, Christian Dior, Jaymar and Hickey-Freeman reported increases. Internal expansion also continued through the introduction of new lines, including Racquet, directed towards the younger professional man, and Austin Reed Womenswear, appealing to the professional woman. Pre-tax earnings of the manufacturing segment were 11.9% of sales (before eliminations) compared to 11.6% in 1982, reflecting improved gross margins, partially offset by higher marketing and distribution costs associated with the introduction of new product lines.

The retail sales increase in 1983 is principally due to Kuppenheimer's first year of operations as a Hartmarx company; Kuppenheimer factory stores increased to 90 from 41 at acquisition. Comparable store sales of the Specialty Stores and Country Miss outlet store sales also increased. Approximately one-half of the 1982 increase was attributable to Country Miss outlet stores. Retail pre-tax earnings for 1983 were $35.1 million or 71.2% higher, reflecting in part, Kuppenheimer's operations.

Consolidated gross margins improved to 40.5% in 1983 from 38.2% in 1982 and 38% in 1981. The 1983 increase reflects continuing production efficiencies in our manufacturing plants as well as the higher proportion of retailing to total sales in 1983, due to adding the Kuppenheimer operations. Manufacturing operations reflect lower gross profit and expense ratios than retailing. The 1982 improvement over 1981 was attributable to both manufacturing efficiencies and delayed wage increases. Consolidated operating expenses were 33.4% of sales in 1983 compared to 32.3% in 1982 and 32.4% in 1981. The 1983 increase reflects factory store expenses related to Kuppenheimer's operations and the higher retailing expense ratio as compared to manufacturing. Conversely, the lower ratio in 1982 versus 1981 reflected higher manufacturing operations relative to retail.

Finance charges and other income were $12.4 million in 1983, $12.3 million in 1982 and $10 million in 1981. The increase in each year includes higher levels of finance charges on receivables and licensing income. The 1982 amount also reflects the non-recurring gain on the sale of the company's old headquarters property.

The company's 49% share of Robert's earnings was $.9 million in 1983, approximately one-half of the 1982 amount. Through August 1982, foreign currency translation adjustments totaling $5.9 million were charged to equity, but effective September 1, 1982, the Mexican economy was considered highly inflationary so remeasurement adjustments have been charged to operations. The 1983 profit decrease was attributable to subsequent declines of the peso.

Consolidated interest expense, net of interest income, was $9.0 million in 1983, $8.9 million in 1982 and $7.5 million in 1981. The net interest expense in 1983 reflects the issuance of $44 million of 8½% convertible subordinated debentures in December 1982, primarily used to finance the Kuppenheimer acquisition and to reduce bank borrowings. The $.5 million increase in interest expense was substantially offset by higher interest income as more funds were available during the year for short term investments. Although rates decreased in 1982, interest was higher than in 1981 as total debt rose due to issuing of notes to purchase shares and due to industrial revenue bonds.

The effective income tax rate was 48.4% in 1983, 44% in 1982 and 46% in 1981. The variation is principally attributable to the favorable capital gain rate on the 1982 sale of the old headquarters property. Investment tax credits in 1983, although comparable in amounts to 1982 and 1981, are lower in relation to pre-tax earnings, causing the effective income tax rate to increase.

A significant portion of the company's additional cash needs during 1983 was required to finance the acquisition and expansion of Kuppenheimer; $51.9 million of working capital was provided from operations, compared to $44 million in 1982 and $37.2 million in 1981. Receivables increased $7.5 million or 4.8%; Kuppenheimer's receivables are nominal as factory store sales are transacted for cash or through bank cards. Inventories increased $48 million, of which $44 million is attributable to Kuppenheimer. Fixed asset additions for 1983, net of property retirements, were approximately $29 million compared to $13 million in 1982; the increase was primarily attributable to the acquisition and expansion of Kuppenheimer. Combined short and long term debt, including current maturities, was $113.5 million at November 30, 1983 representing approximately 29% of total capitalization. During 1983, bank borrowings were reduced and other long term obligations were replaced by the convertible subordinated debt issue at lower interest rates. In December 1983, bank borrowings were eliminated and total debt was reduced to approximately $100 million, while senior debt was $57 million or 15% of capitalization.

"Effects of Inflation" on page 30 describes how the company's results of operations would be affected by inflation. The current value of net assets would have been approximately $350.6 million compared to the $271.7 million book value. After adjusting for inflation, depreciation would have been $22.1 million compared to $15.2 million of expense reflected in 1983 operations. This higher expense would cause a corresponding decrease in assumed earnings when taxes are not reduced accordingly.

Supplementary Information

Quarterly Financial and Common Share Information

Quarters	Net Sales (000's omitted)			Gross Profit (000's omitted)			Net Earnings (000's omitted)		
(Not separately audited)	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
First	**$251,802**	$230,057	$206,831	**$ 94,670**	$ 84,781	$ 78,318	**$ 9,810**	$ 10,830*	$ 8,360
Second	**213,671**	194,417	185,133	**89,464**	77,898	71,683	**7,165**	5,890	5,445
Third	**233,924**	210,761	202,789	**88,085**	76,610	73,665	**7,435**	5,740	5,245
Fourth	**262,449**	227,996	220,807	**117,682**	90,882	86,590	**13,205**	9,410	8,360
Total	**$961,846**	$863,231	$815,560	**$389,901**	$330,171	$310,256	**$ 37,615**	$ 31,870	$ 27,410

Quarters	Net Earnings Per Share			Cash Dividends Per Share		
(Not separately audited)	**1983****	1982	1981	**1983**	1982	1981
First	**$ .80**	$ .83*	$ .65	**$ .20⅔**	$ .18⅔	$ .16⅔
Second	**.58**	.45	.42	**.23½**	.20⅔	.18⅔
Third	**.60**	.47	.40	**.23½**	.20⅔	.18⅔
Fourth	**1.07**	.76	.64	**.23½**	.20⅔	.18⅔
Total	**$ 3.05**	$ 2.51	$ 2.11	**$ .91⅙**	$ .80⅔	$ .72⅔

*First quarter includes $1.765 million or $.13 per share gain on sale of property.
**Fully diluted earnings per share per quarter were $.75, $.55, $.57 and $.99 respectively, aggregating $2.86 for the year, based on 13.823 million shares.

Selected Financial Data

In Thousands/For Years Ended November 30	**1983**	1982	1981	1980	1979
Net sales	**$961,846**	$863,231	$815,560	$674,888	$630,751
Net earnings	**37,615**	31,870	27,410	22,525	21,015
Net earnings per common share and equivalent	**3.05**	2.51	2.11	1.75	1.63
Fully diluted earnings per share	**2.86**	2.51	2.11	1.75	1.63
Cash dividends per share	**.91⅙**	.80⅔	.72⅔	.64⅔	.58⅔
Average number of common shares and equivalents	**12,323**	12,681	13,005	12,841	12,865
In Thousands/At November 30					
Accounts receivable	**$165,521**	$158,011	$150,807	$124,618	$109,084
Inventories	**256,129**	208,105	204,953	186,061	164,445
Net properties	**100,415**	86,305	87,423	63,456	58,473
Total assets	**542,844**	480,793	464,874	402,235	350,537
Working capital	**260,735**	237,210	208,675	205,065	197,113
Long term debt	**100,562**	89,462	62,246	53,656	54,221
Shareholders' equity	**271,703**	242,490	245,465	226,812	212,574
Equity per share	**22.20**	20.19	18.89	17.67	16.58

Hartmarx common shares are traded on the New York and Midwest Stock Exhanges.
The quarterly composite price range for the past three years was:

	Fiscal 1983				Fiscal 1982				Fiscal 1981			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First	Fourth	Third	Second	First
High	**$36¼**	**$36**	**$30⅞**	**$27⅙**	$25⅙	$16½	$17⅙	$15⅓	$15¼	$16 1/12	$13¾	$12¼
Low	**31¼**	**26⅛**	**26**	**21⅚**	15⅓	12⅔	13¾	12 1/12	11 5/12	13⅓	11 5/12	9

All outstanding shares and per share amounts have been restated for the 3-for-2 exchange in April, 1983.

Consolidated Statements of Earnings and Shareholders' Equity Hartmarx Corporation

Consolidated Statement of Earnings

In Thousands/Years ended November 30	1983	1982	1981
Net sales	**$961,846**	$863,231	$815,560
Finance charges and other income	**12,414**	12,345	10,011
Interest income	**1,759**	1,366	1,806
Equity in earnings of non-consolidated affiliate	**863**	1,861	2,038
	976,882	878,803	829,415
Cost of goods sold	**571,945**	533,060	505,304
Selling, administrative and occupancy expenses	**321,279**	278,647	264,015
Interest	**10,728**	10,236	9,323
	903,952	821,943	778,642
Earnings before taxes	**72,930**	56,860	50,773
Taxes on earnings	**35,315**	24,990	23,363
Net earnings for the year	**$ 37,615**	$ 31,870	$ 27,410
Earnings per common share and common share equivalent	**$ 3.05**	$ 2.51	$ 2.11
Fully diluted earnings per share	**$ 2.86**	$ 2.51	$ 2.11

(See accompanying notes to consolidated financial statements)

Report of Independent Accountants

Price Waterhouse

To the Shareholders and Board of Directors of Hartmarx Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of shareholders' equity and of changes in financial position present fairly the financial position of Hartmarx Corporation and its subsidiaries at November 30, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended November 30, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
January 17, 1984

Price Waterhouse

Consolidated Statement of Shareholders' Equity

In Thousands	Par Value of Preferred Stock	Par Value of Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Shares
Balance at November 30, 1980	$ 82	$ 22,051	$24,573	$185,320	$ —	$ (5,214)
Net earnings for the year				27,410		
Cash dividends:						
Preferred shares, $2.00 per share				(125)		
Common shares, $.72⅔ per share				(9,284)		
Stock options exercised (234,148 shares exercised less 100,419 shares exchanged)		223	517			
Conversion of 35,882 preferred shares into 96,876 common shares	(36)	162	(126)			
Disposition of 19,998 treasury shares			71			169
Foreign currency translation adjustment					(328)	
Balance at November 30, 1981	46	22,436	25,035	203,321	(328)	(5,045)
Net earnings for the year				31,870		
Cash dividends:						
Preferred shares, $2.00 per share				(62)		
Common shares, $.80⅔ per share				(10,033)		
Stock options exercised (66,456 shares issued upon exercise of 68,523 options and stock appreciation rights)		111	468			
Conversion of 29,136 preferred shares into 78,661 common shares	(29)	131	(102)			
Acquisition of 1,133,646 treasury shares						(20,850)
Disposition of 90,048 treasury shares			306			763
Foreign currency translation adjustment					(5,548)	
Balance at November 30, 1982	17	22,678	25,707	225,096	(5,876)	(25,132)
Conversion of 16,888 preferred shares into 45,597 common shares	(17)	76	(59)			
Effect of 3-for-2 stock exchange		11,465	(11,465)			
Net earnings for the year				37,615		
Cash dividends:						
Preferred shares, $.50 per share				(8)		
Common shares, $.91⅙ per share				(11,104)		
Stock options exercised (138,949 shares issued upon exercise of 174,206 options and stock appreciation rights)		259	522			
Disposition of 85,931 treasury shares (net of acquisition of 613 shares)			1,204			715
Conversion of $10,000 face value of debentures into 340 common shares			7			3
Balance at November 30, 1983	$ —	$ 34,478	$15,916	$251,599	$ (5,876)	$(24,414)

(See accompanying notes to consolidated financial statements)

Consolidated Balance Sheet Hartmarx Corporation

In Thousands/November 30		1983	1982
Assets			
Current Assets	Cash	**$ 3,589**	$ 13,093
	Short term investments, at cost which approximates market	**2,091**	3,850
	Accounts receivable, less allowance of $8,829,000 and $8,483,000 for doubtful accounts	**165,521**	158,011
	Inventories	**256,129**	208,105
	Prepaid expenses	**3,984**	2,992
	Total current assets	**431,314**	386,051
Investments and Other Assets		**11,115**	8,437
Properties	Land	**4,487**	1,796
	Buildings and building equipment	**39,506**	33,463
	Furniture, fixtures and equipment	**110,484**	101,968
	Leasehold improvements	**66,350**	62,465
		220,827	199,692
	Accumulated depreciation and amortization	**(120,412)**	(113,387)
	Net properties	**100,415**	86,305
Total Assets		**$542,844**	$480,793

		1983	1982
Liabilities and Shareholders' Equity			
Current Liabilities	Notes payable to banks	**$ 8,000**	$ 17,500
	Current maturities of long term debt	**4,950**	5,377
	Accounts payable	**70,752**	54,619
	Accrued payrolls	**31,338**	24,722
	Other accrued expenses	**30,987**	28,966
	Taxes on earnings	**11,284**	3,212
	Deferred taxes on earnings	**13,268**	14,445
	Total current liabilities	**170,579**	148,841
Long Term Debt, less current maturities		**100,562**	89,462
Shareholders' Equity	Convertible preferred shares	**—**	17
	Common shares, $2.50 par value; authorized 25,000,000; issued 13,791,061 in 1983 and 13,606,515 in 1982	**34,478**	22,678
	Capital surplus	**15,916**	25,707
	Retained earnings	**251,599**	225,096
	Foreign currency translation adjustment	**(5,876)**	(5,876)
		296,117	267,622
	Common shares in treasury, at cost, 1,552,437 in 1983 and 1,638,708 in 1982	**(24,414)**	(25,132)
	Shareholders' equity	**271,703**	242,490
Total Liabilities and Shareholders' Equity		**$542,844**	$480,793

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Changes in Financial Position Hartmarx Corporation

In Thousands/Years ended November 30		1983	1982	1981
Working Capital was Provided by:	Net earnings for the year	**$ 37,615**	$ 31,870	$ 27,410
	Depreciation and amortization	**15,151**	13,959	11,875
	Equity in earnings of non-consolidated affiliate	**(863)**	(1,861)	(2,038)
	Working capital provided by operations	**51,903**	43,968	37,247
	Proceeds from issuance of 8½% convertible subordinated debentures, net of conversion	**43,990**	—	—
	Proceeds from issuance of long term debt	**5,415**	29,772	11,900
	Net proceeds from exercise of stock options	**781**	579	740
		102,089	74,319	49,887
Working Capital was Used for:	Property additions—net	**20,714**	12,841	32,041
	Payment of dividends	**11,112**	10,095	9,409
	Reduction of long term debt	**39,157**	2,556	4,130
	Increase (decrease) in investments and other assets	**190**	511	(2,132)
	Changes in treasury stock—net	**(1,919)**	19,781	(169)
	Properties and other assets of acquired company, net of obligations assumed	**9,310**	—	2,998
		78,564	45,784	46,277
	Increase in Working Capital	**$ 23,525**	$ 28,535	$ 3,610
Changes in Components of Working Capital:	Cash	**$ (9,504)**	$ 7,123	$ (914)
	Short term investments	**(1,759)**	1,660	(4,810)
	Accounts receivable	**7,510**	7,204	26,189
	Inventories	**48,024**	3,152	18,892
	Prepaid expenses	**992**	1,074	(351)
	Notes payable to banks	**9,500**	17,500	(11,000)
	Current maturities of long term debt	**427**	(2,932)	(1,535)
	Accounts payable	**(16,133)**	(2,358)	(3,257)
	Accrued payrolls	**(6,616)**	(1,400)	(6,713)
	Other accrued expenses	**(2,021)**	1,557	(10,714)
	Taxes on earnings	**(8,072)**	1,200	(672)
	Deferred taxes on earnings	**1,177**	(5,245)	(1,505)
	Increase in Working Capital	**$ 23,525**	$ 28,535	$ 3,610

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements Hartmarx Corporation

Summary of Accounting Policies

The consolidated financial statements include the accounts of the Company and all subsidiaries. The Company's 49% equity in Robert's S.A. de C.V., a publicly traded corporation in Mexico, is included in "Investments and Other Assets". In accordance with Statement of Financial Accounting Standards #52, the effects of translation from the peso functional currency to the U.S. dollar reporting currency were charged directly to a separate component of shareholders' equity through August 31, 1982. However, at September 1, 1982 the Mexican economy was judged to have become highly inflationary; accordingly, foreign currency adjustments are now remeasured as if the U.S. dollar were the functional currency and are included in earnings.

Inventories are stated at the lower of cost or market. Approximately 30% and 37% of the company's inventories, primarily work in process and finished goods, are valued using the last-in, first-out (LIFO) method at November 30, 1983 and 1982, respectively. The first-in, first-out (FIFO) method is used for substantially all raw materials and the remaining manufacturing and retail inventories.

Properties are stated at cost. Additions, major renewals and betterments are capitalized; maintenance and repairs which do not extend asset lives are charged against earnings. Profit or loss on disposition of assets is reflected in earnings and the related asset costs and accumulated depreciation are removed from the respective accounts.

Accelerated depreciation methods are used for a significant portion of the properties and the straight line method is used for the remainder. Depreciation is computed based on useful lives of 20 to 45 years for buildings, 5 to 20 years for building equipment and 3 to 15 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the terms of the respective leases.

Intangible assets are included in "Investments and Other Assets" at cost, less amortization which is provided on a straight-line basis over their economic lives, usually 10 years or less.

Deferred taxes on earnings are provided for timing differences between financial and taxable income. Investment tax credits are recognized as a reduction of the current provision for taxes on earnings in the year the related assets are placed in service.

The Company and its subsidiaries maintain pension plans covering substantially all employees other than those covered by multi-employer plans. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over periods ranging from ten to thirty years. Pension expense under each multi-employer plan is based upon a percentage of the employer's union payroll established by industry-wide collective bargaining agreements. Pension expenses are funded as accrued.

When stock options are exercised, common stock is credited for the par value of shares issued and capital surplus is credited with the consideration in excess of par. For stock appreciation rights, compensation expense is recognized on the aggregate difference between the market price of the Company's stock and the option price only when circumstances indicate that the right, and not the option, will be exercised.

Primary earnings per share are computed based on the average number of common shares and common share equivalents outstanding, including convertible preferred shares. When dilutive, stock options are included as share equivalents using the treasury stock method. The number of shares used in computing primary earnings per share were 12,323,000 in 1983, 12,681,000 in 1982 and 13,005,000 in 1981. Fully diluted earnings per share assumes conversion of the outstanding convertible subordinated debentures into common shares at $29.33 per share and elimination of the 8½% interest expense (after-tax) thereon. The number of shares used in computing 1983 fully diluted earnings per share was 13,823,000.

Reorganization

At the annual meeting on April 13, 1983, the shareholders of Hart Schaffner & Marx approved a reorganization plan establishing a new Delaware holding company with Hartmarx Corporation as the Corporate name. Shareholders received three, $2.50 par value, Hartmarx shares in exchange for each two, $2.50 par value, shares held of Hart Schaffner & Marx, essentially a fifty percent stock dividend. Hartmarx subsequently became a joint and several obligor with respect to substantially all borrowing arrangements which were originally transacted by Hart Schaffner & Marx. Summarized financial information of Hart Schaffner & Marx has not been separately presented as the financial position and results of operations are the same as that of Hartmarx Corporation. All per share data and number of shares included in the financial statements and notes have been restated to give retroactive effect to the exchange of shares.

Acquisitions

On December 1, 1982, the Company acquired Kuppenheimer Manufacturing Company, Inc., a manufacturer and retailer of men's tailored clothing with 41 "direct factory to consumer" outlets. The Company accounted for this acquisition as a purchase and accordingly, Kuppenheimer's results of operations are included in the financial statements from the date of acquisition. Assuming the acquisition had been effective at the beginning of the Company's 1982 fiscal year unaudited pro forma consolidated sales, net earnings and net earnings per share for 1982 would have been $920 million, $33.7 million and $2.65, respectively, reflecting assumed interest expense on the $28.8 million consideration paid and debt assumed in connection with this acquisition and adjustments to reflect purchase accounting.

On January 7, 1981, the Company acquired an 80% interest in Country Miss, Inc. for approximately $12 million in cash. The Company is obligated to purchase the minority interest as of September 30, 1985 for the net book value at that date. Under certain circumstances the Company may elect or be required earlier to purchase all or a portion of the minority interest, at net book value.

Inventories

At November 30, 1983 and 1982 inventories were as follows (000's omitted):

	1983	1982
Raw materials	**$ 32,563**	$ 30,580
Work in process	**31,820**	22,199
Finished goods	**191,746**	155,326
	$256,129	$208,105

The excess of current costs over LIFO costs for certain inventories was $19 million at November 30, 1983 and $17 million at November 30, 1982.

Long Term Debt

At November 30, 1983 and 1982, long term debt, less current maturities, comprised the following (000's omitted):

	1983	1982
8½% convertible subordinated debentures (due 2008)	**$ 43,990**	$ —
Loans under bank credit agreements	**—**	17,500
8½% sinking fund debentures (due 1996)	**14,507**	22,489
9¼% promissory notes (due 1991)	**20,800**	22,200
Industrial revenue development bonds	**15,458**	13,405
Other debt, extending to 2003 (average interest rate of 9.7% in 1983 and 8.4% in 1982)	**4,761**	1,484
Obligations under capital leases	**1,046**	1,184
15.3% subordinated notes	**—**	11,200
Total long term debt	**$100,562**	$89,462

On December 1, 1982 the Company issued $44 million of 8½% Convertible Subordinated Debentures. The Debentures are convertible at any time prior to maturity into common shares of Hartmarx at $29.33 per share, subject to adjustment in certain events. The Debentures are redeemable at the option of the Company at a premium until January 15, 1993. However, the Debentures may not be redeemed prior to January 15, 1985, unless for a period of 30 successive trading days ending within five days of the date of notice of redemption, the reported closing price of the common shares on the principal trading market was at least 150% of the then effective conversion price. Sinking fund payments commencing January 15, 1993 will retire 5% annually of the Debentures outstanding on December 1, 1992, at par, and a minimum of 75% of the then outstanding Debentures prior to maturity. During 1983, $10,000 par value of Debentures were converted into 340 common shares and at November 30, 1983, 1,499,660 shares are reserved for issuance on conversion of the remaining outstanding Debentures.

The 8½% sinking fund debentures, originally $35 million, have been reduced by purchases which are being applied to sinking fund requirements of $1.75 million annually; $12.25 million was applied to 1978 through 1984, and $8.24 million is available for future use. At November 30, 1983, $2.95 million of the debentures have been included in current maturities of long term debt reflecting subsequent purchases made in December, 1983.

The 9¼% promissory notes, originally $25 million, require a payment of $1.4 million on December 1, 1983 and $2.6 million annually each December 1 thereafter. The Company may make optional prepayments up to $7.5 million without premium, in amounts equal to and at the dates of the required payments, and additional prepayments, subject to certain restrictions prior to November 1, 1985, of all or any portion of the notes at varying premiums.

The industrial revenue development bonds, which mature on varying dates from March, 1984 through January, 2003 were issued by development authorities for the purchase or construction of various manufacturing or retail facilities. The bond proceeds were used for various properties which have a carrying value at November 30, 1983 of $18 million. Interest rates on the various borrowing agreements range from ⅞ of 1% to 9¼% (average of 7.0% at November 30, 1983).

Other long term debt includes installment notes and mortgages with interest rates ranging from 5¾% to 12% per annum. The 15.3% subordinated notes, issued in connection with the purchase of 1,133,646 equivalent shares of the Company's stock in 1982 were prepaid without penalty in 1983.

The approximate principal requirements of long term debt during the next five years, including payments on the 9¼% notes and various industrial revenue bonds are as follows: $1.89 million in 1984; $6.17 million in 1985; $3.17 million in 1986; $5.03 million in 1987; $5.11 million in 1988.

Under the most restrictive provision of the Company's borrowing agreements, the Company may incur total funded debt up to approximately the amount of shareholders' equity. At November 30, 1983 senior funded debt was limited to approximately $227 million. In addition, at November 30, 1983 consolidated working capital was $261 million compared with $170 million required to be maintained by the Company. Consolidated retained earnings of $77.9 million at November 30, 1983 plus 80% of earnings thereafter are available for the payment of future cash dividends.

Notes Payable to Banks

The following summarizes information concerning notes payable to banks (000's omitted):

	1983	1982	1981
Outstanding at November 30	**$ 8,000**	$35,000	$35,000
Maximum month end balance during the year	**29,600**	55,000	51,500
Average amount outstanding during the year	**7,400**	29,500	22,800
Weighted daily average interest rate during the year	**10.0%**	12.8%	17.5%
Weighted average interest rate on borrowings at November 30	**9.8%**	9.8%	13.5%

Notes to Consolidated Financial Statements Hartmarx Corporation

Pension Plans

The Company participates with other companies in the apparel industry in making collectively-bargained contributions to pension funds covering most of its union employees. The 1983 contribution rate for the principal plan was 9.4% of the applicable payroll and is based on the actuarially recommended amount necessary to fund the costs of the benefits.

The principal Company-sponsored plan has required contributions by the employees, and another plan permits voluntary employee contributions. Beginning January 1, 1982 the mandatory contributions by employees were gradually reduced until January 1, 1984, at which time the principal Company plan became non-contributory. Except for several deferred profit sharing plans of subsidiaries, all employer contributions are based on actuarial determinations.

Total pension costs for the years ended November 30, 1983, 1982 and 1981 were approximately $13 million, $12 million and $12 million, respectively, including contributions to multi-employer plans. The largest component of the increased pension costs in 1983 reflects the costs associated with Kuppenheimer.

A comparison of accumulated plan benefits and plan net assets for the Company-sponsored defined benefit plans at January 1, 1983 and 1982 is presented below (000's omitted):

	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	**$34,000**	$30,000
Nonvested	**3,000**	2,500
	$37,000	$32,500
Net assets available for benefits	**$60,500**	$48,500

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6½% in both years.

The Multi-employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. Separate actuarial calculations of the Company's position are not available with respect to the multi-employer plans.

Taxes on Earnings

The provision for taxes on earnings is summarized as follows (000's omitted):

	1983	1982	1981
Federal	**$24,765**	$16,610	$18,298
State and local	**4,595**	3,135	3,560
Total current	**29,360**	19,745	21,858
Federal	**5,025**	4,415	1,260
State and local	**930**	830	245
Total deferred	**5,955**	5,245	1,505
Total taxes on earnings	**$35,315**	$24,990	$23,363

Approximately $7.1 million of the deferred provision for 1983 relates to the purchase of $8.89 million of tax benefits through tax lease transactions. The reduction in taxes currently payable associated with these transactions (which do not have a significant effect on after tax earnings) is included in Investments and Other Assets in the accompanying consolidated balance sheet. The deferred tax provision for 1982 is primarily comprised of $3.4 million attributable to deferred gross margin on installment sales and $2.9 million attributable to accelerated depreciation. The individual items comprising the deferred tax provision for 1981 were not significant.

The difference between taxes on earnings reflected in the accompanying statement of earnings and the amount computed by applying the federal statutory tax rate to pre-tax earnings is summarized as follows:

	Percent of Pre-Tax Earnings		
	1983	1982	1981
Taxes computed at statutory rate	**46.0%**	46.0%	46.0%
State and local taxes on earnings, net of federal tax benefit	**4.1**	3.8	4.1
Investment tax credit ($1.13 million in 1983, $1.52 million in 1982, and $1.27 million in 1981)	**(1.5)**	(2.7)	(2.5)
Gain on sale of property, taxed at capital gain rates	**–**	(2.0)	–
Equity in earnings of non-consolidated affiliate	**(.5)**	(1.5)	(1.8)
Other—net	**.3**	.4	.2
Effective tax rate	**48.4%**	44.0%	46.0%

Operating Segment Information

The Company is engaged in the business of manufacturing and selling apparel. Approximately 18% of the Company's manufactured products are sold to consumers through its own retail stores, which also sell goods purchased from others. The remaining 82% are sold to other retailers for resale to consumers. No one customer accounts for more than 2% of consolidated sales. Substantially all of Kuppenheimer's operations are included in the 1983 retailing segment information. Information on the Company's manufacturing and retailing operations for the years ended November 30, 1983, 1982 and 1981 is summarized as follows (in millions):

Notes to Consolidated Financial Statements Hartmarx Corporation

Operating Segment Information

	Manufacturing			Retailing			Adjustments			Consolidated		
	1983	1982	1981	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Sales to unaffiliated customers	**$423.8**	$407.2	$373.8	**$538.0**	$456.0	$441.8	**$**	$	$	**$961.8**	$863.2	$815.6
Earnings before taxes	**61.4**	57.1	45.7	**35.1**	20.5	23.9	**(23.6)**	(20.7)	(18.8)	**72.9**	56.9	50.8
Gross assets at year end	**241.2**	251.9	240.5	**307.1**	230.5	230.6	**(5.5)**	(1.6)	(6.2)	**542.8**	480.8	464.9
Depreciation and amortization	**6.1**	5.3	4.3	**8.9**	8.5	7.5	**.2**	.2	.1	**15.2**	14.0	11.9
Property additions—net	**9.5**	6.2	14.2	**11.0**	6.6	16.6	**.2**		1.2	**20.7**	12.8	32.0

Adjustments of gross assets are for corporate cash, net properties, investments and other assets, less intercompany profit in inventory and intercompany receivables.

Adjustments of depreciation and amortization and net property additions are for the corporate space in the new headquarters building.

Shipments of approximately $93 million in 1983, $83 million in 1982 and $76 million in 1981 to the Company's retail stores (at the same prices as similar items are sold to unaffiliated retailers) are excluded from manufacturing sales, although profit on these products is included in manufacturing earnings.

Adjustments from earnings before taxes are:

	1983	1982	1981
Interest expense (net of interest income)	**$ (9.0)**	$ (8.9)	$ (7.5)
General corporate expenses and intercompany profit elimination (includes gain on sale of building in 1982)	**(15.5)**	(13.7)	(13.3)
Equity in earnings of non-consolidated affiliate	**.9**	1.9	2.0
	$(23.6)	$(20.7)	$(18.8)

Effects of Inflation (unaudited)

Financial statements presented in accordance with generally accepted accounting principles traditionally report amounts based on historical costs, without attempting to measure the effects of changing prices on business enterprises. Financial Accounting Standards Board Statement 33, "Financial Reporting and Changing Prices," requires presentation of supplemental financial data adjusted for both general price level changes (Constant Dollar) and changes in specific prices (Current Cost). This is deemed experimental and data should be read with caution.

Both Current Cost and Constant Dollar accounting use the same depreciation rates and methods used in the financial statements, after adjustments for inflation since the dates of purchase. Both methods state amounts in average dollars of purchasing power for the last fiscal year; neither method recognizes "holding gains" from the increased values of properties. Current Cost of year-end inventories was determined using the FIFO method. Historical costs of goods sold approximates that determined under Current Cost.

Current Cost of properties and related depreciation were developed using appropriate indices, appraisals and management estimates of the cost of replacing existing properties with identical units. This concept disregards replacement with more productive equipment. Historical depreciation is significantly less than inflation-adjusted depreciation even though over 60% of the properties' book value was added in the last five years.

The gain in the purchasing power of monetary items results from the difference between the net liability when incurred, and when expressed in today's dollars which have less purchasing power, but this represents neither a realized gain nor available funds.

The data also show that Current Cost of inventory and property (principally property) increased in 1983 at a rate lower than general inflation. Inflation adjustments to cost of goods sold and depreciation reduce earnings before tax, but no adjustment to taxes on earnings is permitted. This raises the 48% historical effective rate to 59% on a Constant Dollar basis and 56% under Current Cost, showing how taxes reduce the amount of earnings retainable to finance future growth.

The five year Comparison of Inflation-Adjusted Financial Data is expressed in average 1983 dollars. Inflation-adjusted earnings are shown to be notably lower than earnings on a historical basis, while 1983 historical net asset costs of $272 million would be $351 million at Current Costs.

Inflation accounting requires the use of the Consumer Price Index for All Urban Consumers—All Items (CPI-U All Items) as the measure of general inflation. However, the Company believes the CPI-U apparel indices represents a better measure of inflation in its product costs and sales prices; these indices increased 2.7% for men's and 1.4% for women's apparel in fiscal 1983, when the CPI-U All Items increased 3.2%. Sales showed a five-year annual compounded growth rate of 6.1%, using the apparel indices, or approximately 9.7% annual growth on a historical basis.

Notes to Consolidated Financial Statements Hartmarx Corporation

Statement of Income Adjusted for Changing Prices (unaudited)

In Average 1983 Dollars/In Millions

	As Reported in the Financial Statements	Adjusted for Constant Dollars	Adjusted for Current Costs
Net sales	$961.8	$961.8	$961.8
Operating expenses, excluding depreciation:			
Cost of goods sold	567.4	570.6	570.6
Selling, administrative and occupancy expenses	310.6	310.6	310.6
Depreciation expense	15.2	25.1	22.1
Interest expense	10.7	10.7	10.7
Interest income, other income and equity in earnings of affiliate	(15.0)	(15.0)	(15.0)
	888.9	902.0	899.0
Earnings before taxes	72.9	59.8	62.8
Taxes on earnings	35.3	35.3	35.3
Net earnings for the year	$ 37.6	$ 24.5	$ 27.5
Effective tax rate	48%	59%	56%
Gain in purchasing power of net monetary liabilities		$ 2.7	$ 2.7
Increase in general price level			$ 13.2
Effect of increase in specific prices (current costs) on inventories and properties held during the year			9.0
Excess of increase in general price level over the increase in specific prices of inventories and properties			$ 4.2

At November 30, 1983, the current cost of Inventories and Properties was $274.7 million and $167.0 million, respectively.

Comparison of Inflation-Adjusted Financial Data (unaudited)

Amounts Stated in Millions except Per Share Amounts

	1983	1982	1981	1980	1979
Net sales:					
As reported	**$961.8**	$863.2	$815.6	$674.9	$630.8
In constant dollars	**961.8**	891.1	897.3	821.5	872.0
Net earnings:					
As reported	**37.6**	31.9	27.4	22.5	21.0
In constant dollars	**24.5**	13.3	7.2	2.1	
In current costs	**27.5**	22.3	16.5	13.2	
Primary earnings per share:*					
As reported	**3.05**	2.51	2.11	1.75	1.63
In constant dollars	**2.00**	1.04	.56	.17	
In current costs	**2.24**	1.77	1.27	1.03	
Net assets at year end:					
As reported	**271.7**	242.5	245.5	226.8	212.6
In constant dollars	**396.5**	375.2	390.6	375.7	
In current costs	**350.6**	333.3	357.4	341.8	
Cash dividends per common share:					
At historical cost	**.91⅙**	.80⅔	.72⅔	.64⅔	.58⅔
In constant dollars	**.91⅙**	.83¼	.80	.78 7/10	.81 1/10
Market price per common share at year end:					
At historical cost	**33¾**	25	14⅙	9⅓	7⅚
In constant dollars	**33¾**	25⅘	15⅗	11⅓	10⅘
Increase in general price level over (under) increase in specific prices of inventories and properties	**4.2**	11.9	(1.5)	23.3	
Purchasing power gain	**2.7**	2.9	4.7	4.2	
Average Consumer Price Index	**297.5**	288.2	270.4	244.4	215.2

*Fully diluted earnings per share reported as $2.86 in 1983 would be $1.77 in constant dollars and $1.99 in current costs.

Men's Apparel Group

E. O. Hand,
President and
Chief Executive Officer

Hart Schaffner & Marx Clothes

Kenneth A. Hoffman
President and
Chief Executive Officer

Hart Schaffner & Marx
Austin Reed of Regent Street
Graham & Gunn, Ltd.
Jack Nicklaus
Christian Dior
Walter Holmes—Society Brand
Sterling & Hunt

Hickey-Freeman

Walter B. D. Hickey, Jr.
Chairman and
Chief Executive Officer

Gasper A. Tirone
President and
Chief Operating Officer

Hickey-Freeman
Chester Barrie
Loro Piana
Jaeger
Walter-Morton

M. Wile

Arthur Gunzberg
Chairman

Lawrence Gunzberg
Vice Chairman

Homi Patel
President and
Chief Executive Officer

Pierre Cardin
Johnny Carson
Nino Cerruti Rue Royale
Allyn St. George
Racquet

Jaymar-Ruby

Burton B. Ruby
Chairman and
Chief Executive Officer

Geoffrey Bloom
President

Jaymar
Jaymar Sport
Sansabelt
Sansabelt Sport
Pierre Cardin
Austin Reed Sportswear

Gleneagles

David Kelly
President and
Chief Executive Officer

Gleneagles
Christian Dior Monsieur Sport
Hart Schaffner & Marx
Weatherwear
Nino Cerruti Weatherwear
Jack Nicklaus
Racquet Sportswear

Hartmarx Uniform/ Career Apparel Group

Robert C. Rich
Executive Vice President

Fashionaire
Thorngate

Women's Apparel

Country Miss

Alfred T. Gifford
President and
Chief Executive Officer

Stanley H. Wax
President, Retail Stores

Country Miss
Country Miss Petites
Country Suburbans
Handmacher
Weathervane

Hartmarx Specialty Stores, Inc.

Harvey Weinberg, Chairman and Chief Executive Officer
Henry C. Schwartz, President

East Group

Wallachs
Walker's of Ohio
Liemandt's, Inc.
Ray Beers Clothing Company
A. L. Zachry
Wolf Bros., Inc.
Field Bros.
The Kleinhans Company

West Group

Jas. K. Wilson
Leopold, Price & Rolle
Silverwoods, Inc.
Hastings Clothing Company
Klopfenstein's, Inc.
Porter-Stevens, Inc.
Baskin Clothing Company

Specialty Store Group

F. R. Tripler & Co.
Root's, Inc.
Jack Henry Clothing Company
Capper & Capper
Littler's, Inc.

Women's Group

Chas. A. Stevens
deJong's, Inc.

Cleveland Stores

Peer Gordon

Low-Markup Retailing

Kuppenheimer

Sam Forman
President and
Chief Executive Officer

International

Ralph Kaufmann
Vice President, Licensing

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Blyth Eastman Dillon & Co.
Incorporated

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Retired Chairman and
Chief Executive Officer,
The Mutual Life Insurance
Company of New York

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Chief Operating Officer,
S. C. Johnson & Sons, Inc.
(Johnson's Wax)

Jerome S. Gore ● ●
Chairman and
Chief Executive Officer,
Hartmarx Corporation

John D. Gray ● ●
Chairman Emeritus,
Hartmarx Corporation

Arthur Gunzberg
Chairman,
M. Wile & Company, Inc.

Richard P. Hamilton ●
President and
Chief Operating Officer,
Hartmarx Corporation

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Dean, J. L. Kellogg Graduate
School of Management,
Northwestern University

Charles Marshall ● ●
Chairman and
Chief Executive Officer,
AT&T Information Systems

John R. Meinert ●
Vice Chairman and Chief Financial
and Administrative Officer,
Hartmarx Corporation

Burton B. Ruby
Chairman,
Jaymar-Ruby, Inc.

Sam F. Segnar ● ●
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Chief Executive Officer,
InterNorth, Inc.

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Honorary Chairman,
Hickey-Freeman Co., Inc.

J. M. Ruby
Chairman Emeritus,
Jaymar-Ruby, Inc.

Clay E. Steele
Retired Senior Vice President,
Hartmarx Corporation

Director Committees

● Executive
● Audit
● Compensation and Stock Option
● Director Nominating
● Management Operations

Corporate Officers

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Chairman and
Chief Executive Officer

Richard P. Hamilton
President and
Chief Operating Officer

John R. Meinert
Vice Chairman and Chief Financial
and Administrative Officer

E. O. Hand
Group President,
Men's Apparel Group

Harvey Weinberg
Group Chairman,
Specialty Stores Group

Jerome Dorf
Senior Vice President

Frank A. Brenner
Vice President, Marketing Services

Guy Gunzberg
Vice President, Information Systems

Ralph Kaufmann
Vice President, Licensing

Mark J. Lies
Vice President and Treasurer

Alan R. Minoff
Vice President,
Corporate Strategy and Development

Glenn R. Morgan
Controller

Sherman D. Rosen
Vice President, Human Resources

Charles L. Stewart
Vice President,
Secretary and General Counsel

Carey M. Stein
Associate General Counsel

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101 North Wacker Drive
Chicago, Illinois 60606
(312) 372-6300

Transfer Agent and Registrar
The First National Bank of Chicago
Chicago, Illinois 60670

Form 10-K
Hartmarx Corporation will provide to any shareholder, without charge, a copy of its Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (but without exhibits). Requests should be in writing to: Hartmarx Corporation, attention: Mrs. Kay C. Nalbach, Assistant Secretary, 101 North Wacker Drive, Chicago, Illinois 60606

Hartmarx Corporation
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